SGI . . .

Who We Are

One of Canada's leading general insurers, offering high-quality home, business, auto and farm insurance to the people of Saskatchewan.

Why We're Here

To provide superior property/ casualty insurance products and services on a profitable and financially stable basis.

Who Gets the Job Done

Our staff: bright, hard-working, and dedicated to service, headed up by a strong and innovative management team.

Table of Contents

Letter of Transmittal 2

Message From
the Chairman 3

Board and Executive 4

The Year in Review 5

Financial Highlights 10

Responsibility for
Financial Statements 11

Auditors' Report 12

Statement of
Financial Position 13

Statement of
Operations and Deficit 14

Statement of Changes in
Financial Position 15

Notes to the
Financial Statements 16

Letter of Transmittal

Regina, Saskatchewan
March, 1988

To His Honour,
The Honourable F. W. Johnson,
Lieutenant-Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the annual report of Saskatchewan Government Insurance for the year ended December 31, 1987, including the financial statements in the form required by the Treasury Board and in accordance with the Saskatchewan Government Insurance Act.

I have the honour to be, Sir,

Your obedient Servant,

Graham Taylor
Minister in Charge of
Saskatchewan Government Insurance

Message From the Chairman

I am proud to introduce SGI's 1987 annual report. The performance of SGI this year, with its $11.5 million profit, once again underscores the fundamental strength and stability of this company. Along with being a strong economic force in the province of Saskatchewan, we rank as one of the largest and most important insurance companies in Canada—a rare distinction for a company whose business borders include only a small percentage of Canada's population.

Our 1987 profit was our best ever—a remarkable success story for a property/casualty insurer operating in direct competition with larger, eastern-based companies whose base of risk is spread across Canada. Much of the credit should go to SGI's staff, whose concentration on their customers has led to an unequalled reputation for fast, professional service. Terrific service has become SGI's hallmark, much to the envy of other companies, because SGI knows that its real product is service, not policies.

I want to thank the entire staff of SGI for making 1987 such an excellent year.

Allan W. Wagar
Chairman of the Board

SGI Board of Directors - 1987

Mr. Allan W. Wagar
Chairman
Regina

Hon. Joan H. Duncan
Minister in Charge
Vice-Chairman

Mr. Arden E. B. Erman
Maple Creek

Mr. Eli Fluter
Regina

Mr. James N. Goring
Biggar

Mr. Ted Henson
Saskatoon

Mr. Ron W. Jeffery
Weyburn

Mr. Donald R. Leier
Saskatoon

Mr. D. A. K. MacLean, Q.C.
Regina

Mr. Ray Malinowski
Yorkton

Mr. A. E. Nicholson
Regina

Mr. George F. Shaw
Esterhazy

Mr. Ron L. Skinner, Sr.
Yorkton

Mr. Ed Sulewski
Paddockwood

Executive

Seated, Left to Right: Margo Fries, Assistant to the President and Secretary to the Board of Directors; Alex Wilde, President; Larry Fogg, Vice-President, Claims; Bob Warren, Vice-President, Underwriting Operations. Standing, Left to Right: Alan Cockman, Vice-President, Systems; L. Jill Hilsden, Vice-President, Finance; Grant Gibson, Vice-President, Motor Vehicle Division.

Overall, how did SGI fare financially in 1987?

Our bottom line tells the story. SGI made a profit of $11.5 million, the second straight year of profits in a tough, competitive market. I credit our success to our continued emphasis on careful underwriting, and a favourable claims picture. Staff commitment to control costs resulted in administrative expenses virtually unchanged from 1986.

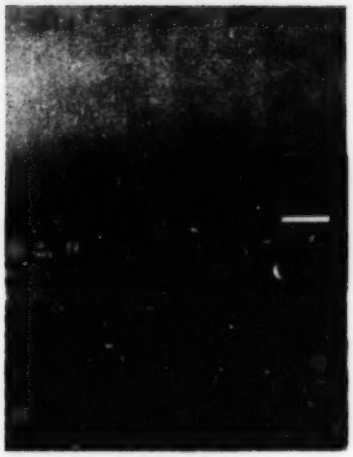
Claims incurred dropped $9 million compared to 1986, from $75.3 million last year to $66.3 million in 1987. A 12% drop. The number of claims decreased from 84,200 to 75,242. These claims statistics are the single largest factor in our performance.

SGI's loss ratio, which compares claims incurred to premium earnings, was lower than the industry average in 1987, and enabled the company to make an underwriting profit, something that has been almost unheard of in the insurance industry for the past few years. In a competitive market, companies often cut prices and rely on investment income to bail them out. This year, our Saskatchewan-based operations were profitable on their own.

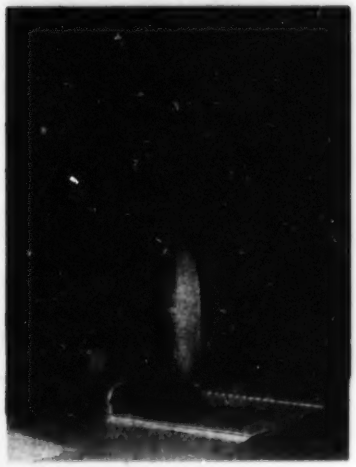
Our system of underwriting, which is based on our customers' claims experience, deserves credit. It has been in place for two and a half years, and results are showing. It is a system that is good for the customer and good for the company. Because we set premiums based on individual claims experience, the customer gets a fair shake and in most cases an excellent rate. It also helps us analyze our risks, target our markets and provide specialized service where needed. Knowing our strengths and weaknesses is good business.

On the whole, our successful year comes from reduced claims, prudent underwriting and fair pricing based on our customers' claims experience.

SGI's success can be credited to hard-working staff and technical training.



SGI's Agro Pak offers protection for Saskatchewan farms, farm homes, machinery and outbuildings.



Bernadette McIntyre, a Project Leader in Systems, takes part in a customer service seminar.

Did all your products perform as expected? What were the highlights?

Claims costs dropped overall, with exceptional results from our farm and auto products. I am particularly pleased with our Agro Pak performance. 1987 results bounced back dramatically from a rather disappointing 1986. But it is not just the profit. In the past two years, SGI has worked with many farm groups to revamp the coverage on our Agro Pak policy, and the consultation has paid off. Our farm customers enjoy a package of insurance protection that suits their special, sometimes complicated insurance needs.

Although the number of auto claims rose slightly in 1987, the overall cost of those claims dropped. The portfolio turned around dramatically from 1986, and recorded a substantial profit. Much credit goes to the hard work and innovation of our staff, who worked closely with owners of commercial fleet vehicles to install loss prevention and fleet safety programs. Traditionally, fleets have been a difficult book of business, but our loss prevention work has really turned the product around, and helped make the highways safer.

Our home products are our bread and butter, and improved dramatically in 1987, again thanks to our sensible system of claims-based rating. Much of our 1988 efforts will go towards refining this approach.

We hear a lot about liability insurance. Was it a problem this year?

The liability insurance market has improved from 1985 and 1986, but it is still a tight market, especially for high-risk coverages. As in the past, we worked with our customers and agents to respond to this important market. Through careful underwriting and the use of subscription policies, we managed to accommodate the vast majority of our customers' needs.

Aside from straightforward business goals, what did SGI set out to accomplish in 1987? Were you successful?

That has a one-word answer. Service. In the insurance business, companies don't sell policies—they sell **service**.

And everyone is a customer—whether they are agents or policyholders or other employees. For the past two years, SGI has redoubled its efforts to improve customer service, and results are showing. Our claims customers tell us that they are happy with the way we do business—from the attitude and knowledge of our adjusters to the time it takes to settle a claim.

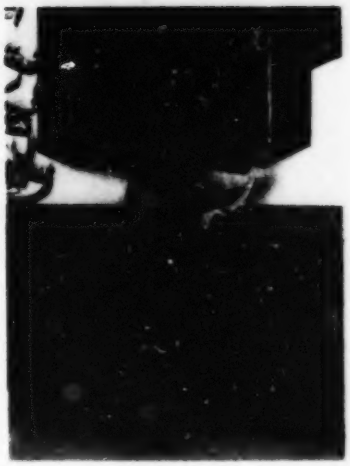
Training has been key. We have a comprehensive staff training program that helps front line people deal with customers who, understandably, are unhappy to have a claim in the first place. It is important that we make their experience as positive as possible.

Many, many Saskatchewan communities benefited from SGI's community involvement and generosity in 1987. Our aim is not only to be a good corporate citizen, but to make a real difference in the communities where we live and work. The Fire Safe House was a good example. SGI was a major sponsor of this effort, which saw the Regina Fire Department build a demonstration house used to educate school children about fire safety.

Our tradition of strong community support in 1987 meant charitable donations to civic, health, cultural and sporting organizations all across the province. Groups like the Boy Scouts, the Heart Foundation, Big Brothers and the Saskatchewan Abilities Council all benefited from SGI's sponsorship in 1987, along with many others.

We supported and worked extensively with Crimestoppers in 1987, because we know that people are concerned about the security of their homes and businesses. As well, preventing losses from theft and vandalism is the best long-term way to reduce claims costs and premiums for you and me.

SGI pledged an important donation of $250,000 to the College of Agriculture in Saskatoon in 1987, because we recognize that supporting agriculture is supporting Saskatchewan's future. This grant is a symbol of our commitment to our future here in the province.



Research Officer Doug Wheatley uses a model of a fire-damaged kitchen to train adjusters in estimating repair costs.

Personal Lines staff discuss product information.

Regular meetings with agents provide valuable market and product information.

As SGI builds on the '80s, we're confident that more and more people will rely on us for home, business, extension auto and farm protection.

What about assumed reinsurance in 1987? That portfolio has had a profound effect on the corporation in the past.

That's true. The last assumed reinsurance contracts were cancelled in 1985, and claims on assumed business have been running off since that time.

In 1987, we resolved what has been a long-term problem. We had an independent actuarial review of the assumed reinsurance claims reserves, and as a result, the reserves were significantly increased. This increase has been included in the 1987 financial results. It is anticipated that these reserves are enough to cover all future losses arising from the cancelled contracts.

What about special projects undertaken during the year?

The largest and most important project we worked on was a proposal for public participation, an extremely exciting business move for the corporation. The most rewarding aspect of our work on this was anticipating growth and expansion for this company. Our record of strength in Saskatchewan is a catalyst for that growth, and we are eager for the opportunity that public participation will bring. By expanding and growing outside the province, we will be building a strong future for SGI and for Saskatchewan people.

SGI also negotiated an innovative property underwriting program with one of its largest brokers for the Saskatchewan School Trustees Association (SSTA). The program combines the best of "self-insurance" and "subscription" underwriting. The schools contribute to a pool that covers smaller losses, and insurance companies share the risk on larger losses. Through good management and cooperation, we also made sure that our agency force could continue to participate in this important market.

Work on our computer link with agents, called A Plus, intensified this year. By year-end, more than 35 agents were on line, and capable of instantly producing home and auto policies directly in their office for their clients. Aside from convenience to our customers, this link has been a boon to our agents and to the company because it lowers mailing and administration costs for all of us. We plan to put other products on the system in 1988.

What are SGI's business goals for 1988? What industry factors may influence them?

Continued profitability is a key goal, of course. Our market strength is an important ingredient of that. I am confident that 1988 will bring continued strength, even though competition for Saskatchewan's insurance dollars is always keen.

Excellent service is vital. We stake our business on it. In 1988, we hope to outdistance our **own** record of top notch, superior customer service.

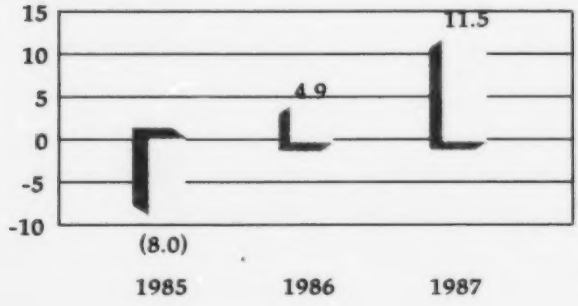
Finally, should a public share offering go ahead, we expect that SGI and the people of Saskatchewan will reap benefits and opportunities of an even stronger Saskatchewan-based SGI.

Alex Wilde
President

Financial Highlights 1985-1987

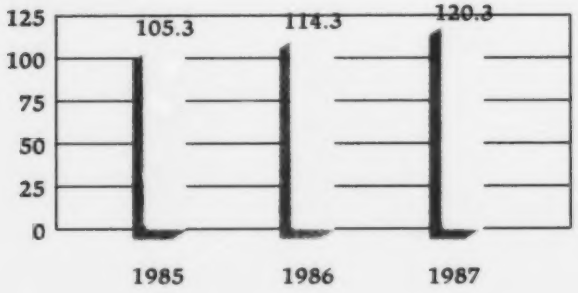
Net Earnings

Millions of $



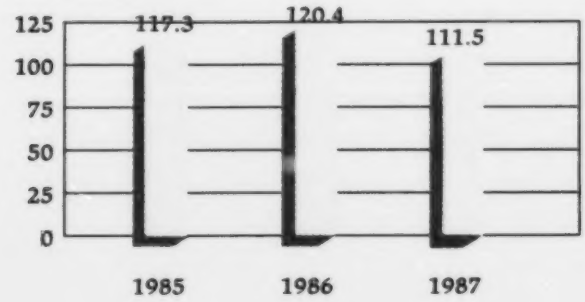
Premiums Earned (Direct Net of Ceded)

Millions of $



Total Claims and Expenses (Direct Net of Ceded)

Millions of $



Responsibility for Financial Statements

The financial statements have been prepared by the management of the corporation in conformity with accounting principles generally accepted in Canada. The financial statements have been examined and approved by the Board of Directors. The independent auditors have performed an audit of the corporation which has enabled them to express their opinion on the financial statements of the corporation. This opinion is shown on page 12.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the corporation. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An Audit Committee, composed of members of the Board of Directors of SGI, meets periodically with financial officers of the corporation and the external auditors. The independent auditors have free access to this Committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

L. Jill Hilsden

L. Jill Hilsden
Vice-President
Finance

Auditors' Report to the Members of the Legislative Assembly Province of Saskatchewan:

February 26, 1988

We have examined the statement of financial position of Saskatchewan Government Insurance as at December 31, 1987 and the statements of operations and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied after giving retroactive effect to the changes in accounting policies as explained in note 2 to the financial statements, on a basis consistent with that of the preceding year.

The financial statements of the previous year were examined by another auditor.

Coopers & Lybrand

Chartered Accountants

Statement of Financial Position

December 31	1987	1986
	(Thousands of $)	
Assets		
Cash and Investments Maturing Within One Year	$ 46,514	$ 37,291
Accounts Receivable	19,919	19,657
Deferred Policy Acquisition Costs	15,267	15,014
Deferred Charges (Note 10)	807	58
Long-Term Investments (Note 5)	108,714	89,595
Net Investment in Capital Lease (Note 6)	5,247	5,301
Property, Plant and Equipment (Note 7)	21,329	19,243
	$217,797	$186,159
Liabilities		
Accounts Payable and Accrued Charges	$ 10,454	$ 4,020
Premium Taxes Payable	5,447	5,250
Amounts Due to Reinsurers	6,323	4,319
Provision for Unpaid Claims	97,949	85,328
Unearned Premiums	62,051	63,192
	182,224	162,109
Capitalization		
Advances (Note 8)	57,000	57,000
Deficit	(21,427)	(32,950)
	35,573	24,050
	$217,797	$186,159

(See accompanying notes)

Statement of Operations and Deficit

Year Ended December 31	1987	1986
	(Thousands of $)	
Direct Net of Ceded Premiums Written (Note 3)	$119,311	$120,290
Premiums Earned	**$120,262**	$114,310
Claims Incurred	66,323	75,291
Commissions	21,596	21,902
Premium Taxes	5,347	5,082
Administrative Expenses	18,198	18,123
Total Claims and Expenses	**111,464**	120,398
Underwriting Profit (Loss)	**8,798**	(6,088)
Investment Earnings (Note 11)	15,520	14,713
Profit Before Assumed Operations	24,318	8,625
Loss From Assumed Operations (Note 12)	(12,795)	(3,755)
Net Profit for the Year	**11,523**	4,870
Deficit:		
Balance Beginning of Year		
As Previously Reported	(32,123)	(35,988)
Effect of Changes in Accounting Policies (Note 2)	(827)	(1,832)
As Restated	(32,950)	(37,820)
Balance End of Year	**$ (21,427)**	$ (32,950)

(See accompanying notes)

Statement of Changes in Financial Position

Year Ended December 31	1987	1986
	(Thousands of $)	
Operating Activities		
Net Profit for the Year	$ 11,523	$ 4,870
Items not Affecting Cash:		
Depreciation and Amortization	1,517	1,054
Realized Gains on Disposal of Investments and Fixed Assets	(2,125)	(2,601)
	10,915	3,323
(Increase) Decrease in Deferred Policy Acquisition Costs	(253)	737
(Increase) Decrease in Accounts Receivable	(262)	1,104
(Increase) Decrease in Deferred Charges	(749)	12
Increase in Provision for Unpaid Claims	12,621	3,252
Increase (Decrease) in Unearned Premiums	(1,141)	5,474
Increase in Accounts Payable and Accrued Charges	6,434	31
Increase in Premium Taxes Payable	197	505
Increase in Amounts Due to Reinsurers	2,004	869
Cash Provided by Operating Activities	**29,766**	15,307
Investing Activities		
Long-Term Investments		
- Purchases	(65,334)	(62,084)
- Proceeds on sale	48,410	48,353
Capital Lease Repayment	54	49
Fixed Assets - Purchases	(3,719)	(723)
- Proceeds on disposal	46	41
Net Investing Activities	**(20,543)**	(14,364)
Increase in Cash and Investments Maturing Within One Year	**9,223**	943
Cash and Investments Maturing Within One Year:		
Balance Beginning of Year	37,291	36,348
Balance End of Year	**$ 46,514**	$ 37,291

(See accompanying notes)

Notes to the Financial Statements December 31, 1987

1. Significant Accounting Policies

The corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Premiums

Premiums written are taken into income over the terms of the related policies. Premiums not yet taken into income represent the portion of the policy premiums relating to the unexpired term of each policy.

Deferred Policy Acquisition Costs

Premium taxes, commissions and certain underwriting and policy issuance costs are charged to expense over the terms of the insurance policies to which such costs relate. Policy acquisition costs are deferred only to the extent that anticipated future claims and expenses net of investment earnings do not exceed unearned premiums.

Investments

Bonds, debentures and mortgages are recorded at amortized cost. Shares are recorded at cost.

Investment Earnings

Interest is recorded as income on the accrual basis. Dividends are recorded as income on the record date. Gains and losses realized on the disposal of investments are recognized in income on the date of sale.

Provision for Unpaid Claims

The provision for unpaid claims includes the estimated cost to the corporation of reported claims, an estimate based on the claims settlement experience of the corporation of the cost of claims yet to be reported and an estimate of adjustment expenses to be incurred on the settlement of these claims.

Capital Lease

Investment earnings related to the direct financing lease are recognized in a manner that produces a constant rate of return on the investment in the lease. The net investment in the lease is composed of net minimum lease payments less unearned finance income.

Property, Plant and Equipment

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over their estimated useful lives as follows:

Building	2½%
Computer equipment under capital lease	20 - 50%
Furniture and equipment	20%

Foreign Currency Translation

Monetary items are adjusted to reflect the exchange rate in effect at the year-end. Share investments, revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

Administrative Expenses

The corporation as administrator of the Saskatchewan Auto Fund incurs certain administrative expenses which cannot be readily or economically identified with the operations of the corporation or the Saskatchewan Auto Fund. Section 97 of the Automobile Accident Insurance Act provides that the Board of Directors of the corporation may make rules for the allocation of these expenses between SGI and the Auto Fund. These administrative expenses are shared equally as approved by the Board of Directors. This treatment is consistent with the allocation used in the prior year.

Identifiable administrative expenses are charged directly to the corporation's operations.

2. Changes in Accounting Policies

In 1987, the corporation changed its accounting policies to conform to recent changes in industry accounting practices. Comparative figures in these financial statements have been restated to reflect retroactive application of these policies. The effects of the changes are as follows:

(1) Deferred Policy Acquisition Costs

The corporation has changed its policy of accounting for internal underwriting costs incurred to acquire insurance business, from writing off such costs in the year incurred, to deferring and amortizing them over the terms of the insurance policies to which such costs relate.

The effect of this change has been to increase the assets and reduce the deficit of the corporation by $887,000 as at December 31, 1985. The assets of the corporation have been increased by $1,154,000 as at December 31, 1986 and administrative expenses decreased by $267,000 for the year then ended. Administrative expenses for 1987 increased by $143,000.

(2) Investments

The corporation has changed its accounting policy for shares and convertible bonds from the five-year moving average market valuation method to the cost basis. The accounting policy for gains and losses on disposal of bonds, debentures and mortgages has been changed from the deferral and amortization method to the immediate income recognition method.

The effect of this change has been to decrease the assets and increase the deficit of the corporation by $566,000 as at December 31, 1985. Assets have been increased by $278,000 as at December 31, 1986 and investment earnings increased by $844,000 for the year then ended. Investment earnings for 1987 increased by $410,000.

(3) Provision for Unpaid Claims

The corporation has adopted the practice of estimating future internal loss adjustment expenses on unpaid and unreported claims and including this estimate in the liability for unpaid claims.

The effect of this change has been to increase liabilities and consequently increase the deficit of the corporation by $2,153,000 as at December 31, 1985. Liabilities have been increased by $2,259,000 as at December 31, 1986 and claims incurred increased by $106,000 for the year then ended. Claims incurred for 1987 decreased by $451,000.

The net effect of these changes in accounting policies has been to increase the deficit of the corporation by $1,832,000 as at December 31, 1985 and increase net profit by $1,005,000 and $718,000 for 1986 and 1987 respectively.

3. Prior Period Adjustment

Due to a processing delay, certain policies written in late 1986, with a 1986 effective date, were not recorded as premiums written until 1987.

To correct the effects of the processing delay, premiums written in 1987 have been reduced by $2,196,000 and 1986 premiums written have been retroactively increased by a corresponding amount. The 1986 balances for unearned premiums, accounts receivable and deferred policy acquisition costs have been retroactively increased by $2,196,000, $1,805,000 and $391,000 respectively.

The effect of the premium processing delay on net profit is immaterial; therefore, premiums earned and the deficit for the prior period have not been restated.

4. Status of the Corporation

Saskatchewan Government Insurance was established as a branch of the Public Service by the Government of Saskatchewan Insurance Act, 1944, reorganized pursuant to the Saskatchewan Government Insurance Act, 1946, and continues under the provisions of the Saskatchewan Government Insurance Act, 1980.

The corporation conducts a property/casualty insurance business under the provisions of its Act and also acts as administrator of the Saskatchewan Auto Fund under the provisions of the Automobile Accident Insurance Act (Chapter A-35, Revised Statutes of Saskatchewan, 1978).

The accounts of Saskatchewan Government Insurance are consolidated in the annual financial statements of the Crown Investments Corporation of Saskatchewan, the financial holding company of the Province of Saskatchewan.

5. Long-Term Investments

The components of the corporation's long-term investments are as follows:

(Thousands of $)

	1987		1986	
	Book Value	Market Value	Book Value	Market Value
Bonds and Debentures	$ 81,946	$ 81,356	$62,991	$67,307
Mortgages	5,633	5,651	6,355	6,575
Shares and Convertible Bonds	21,135	20,501	20,249	21,368
Total Long-Term Investments	$108,714	$107,508	$89,595	$95,250

6. Net Investment in Capital Lease

The corporation, as lessor, has a 37 percent interest in a lease agreement with a Government department for a term of thirty years (twenty-three years remaining) on property in Prince Albert. The lease transferred substantially all of the benefits and risks incident with the ownership of the property to the lessee.

The corporation's net investment in capital lease includes the following:

(Thousands of $)

	1987	1986
Total minimum lease payments receivable ($583,000 per year)	$13,560	$14,143
Unearned income	(8,313)	(8,842)
Net Investment in Capital Lease	$ 5,247	$ 5,301

7. Property, Plant and Equipment

The components of the corporation's investment in property, plant and equipment, as well as the related accumulated depreciation, are as follows:

(Thousands of $)

	1987			1986
	Cost	Accum. Depr.	Net Book Value	Net Book Value
Land and Improvements	$ 912	$ -	$ 912	$ 912
Building	18,887	3,958	14,929	15,400
Computer Equipment under Capital Lease	3,121	71	3,050	-
Furniture and Equipment	5,304	2,866	2,438	2,931
Total	$28,224	$6,895	$21,329	$19,243

The corporation entered into an agreement in 1987 to purchase computer equipment. As a condition of the agreement, title to the computer equipment will pass in two years. The corporation is committed to making full account payment in 1988. This obligation has been included in accounts payable at year-end.

8. Advances

Advances from the Crown Investments Corporation of Saskatchewan (CIC) are non-interest bearing and repayment is at the discretion of CIC.

9. Ceded Reinsurance

The corporation underwrites and reinsures contracts of insurance which, in the main, limit the liability of the corporation to a maximum amount on any one loss of $250,000 for dwelling and farm property coverage and $1,000,000 for auto, liability and commercial property coverage. This reinsurance does not, however, relieve the corporation of its primary obligation to its policyholders.

At year-end, the provision for unpaid reported claims and adjustment expenses reflects recoveries from reinsurers of $8,296,000 (1986 - $15,769,000). In 1987, ceded reinsurance premiums earned were $18,098,000 (1986 - $17,065,000); commission recoveries earned were $4,216,000 (1986 - $2,394,000); and claims incurred were $916,000 (1986 - $7,057,000).

At year-end, the corporation held letters of credit outstanding of $2,482,000 (1986 - $2,788,000) and deposits of $203,000 (1986 - $371,000) relating to reinsurance arrangements with unlicensed reinsurers.

10. Superannuation Plans

The corporation has a defined benefit retirement plan covering its employees. The plan applies only to those employees hired before January 1, 1980, who elected to remain in the plan. Current service costs of this plan are charged to earnings on the basis of actuarial valuations, the most recent valuation being as of December 31, 1986.

In 1987, the corporation adopted new mandatory accounting policies for its pension plan. The new accounting policies were adopted prospectively as recommended and accordingly, pension expense for prior years has not been restated. The corporation's pension costs prior to 1987 were accounted for in accordance with previous accounting principles.

Based on the December 31, 1986 actuarial valuation and a projection to December 31, 1987, the present value of accrued pension benefits attributed to services rendered and the projected value of pension fund assets is $35,842,000 and $42,709,000 respectively. The deferred charge for pension costs at year-end is $807,000 (1986 - $58,000).

The corporation also has employees who are members of the Crown Investments Corporation (CIC) Pension Plan. The corporation matches employee contributions to this defined contribution pension plan.

The 1987 pension expense for the two pension plans is $1,290,000 (1986 - $1,727,000), including the amortization of the defined benefit plan past service surplus and plan amendments.

In January, 1988, 336 of the 507 active members in the defined benefit plan exercised an option to transfer their membership to the CIC defined contribution plan. On February 1, 1988, $14,258,000, comprised of the employees' and employer's contributions and interest, was transferred to the CIC defined contribution plan.

11. Investment Earnings

The components of investment earnings are as follows:

	(Thousands of $)	
	1987	1986
Interest and Dividends	$12,897	$11,580
Realized Gains on Sale of Investments	2,094	2,599
Income from Capital Lease	529	534
Total Investment Earnings	$15,520	$14,713

12. Assumed Reinsurance

SGI discontinued its practice of underwriting assumed reinsurance business as of December 31, 1985. All assumed reinsurance contracts were cancelled as of December 31, 1985. Although no new contracts have been written, SGI remains financially responsible for claims run-off on assumed contracts entered into prior to December 31, 1985.

In 1987, assumed reinsurance premiums earned were $873,000 (1986 - $1,741,000); claims incurred were $13,181,000 (1986 $4,830,000); and the loss from assumed operations was $12,795,000 (1986 - $3,755,000).

An independent actuarial valuation of the corporation's December 31, 1987 assumed reinsurance unpaid claims reserves has been completed. The corporation has recorded a total reserve for unpaid claims of $33,746,000 as at December 31, 1987 (1986 - $24,726,000). This reserve, which is intended to provide for all future claims liabilities arising from assumed reinsurance contracts, while believed to be adequate, is necessarily based on estimates.

13. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

14. Comparative Financial Information

For comparative purposes, certain 1986 and prior balances have been reclassified to conform with the 1987 financial statement presentation.